

IRS News Release

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IRS Releases New Guidance and Results of Political Intervention Examinations

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WASHINGTON — Internal Revenue Service officials today released a report on the agency's examination of political activity by tax-exempt organizations during the 2004 election campaign. In connection with the report, the IRS is also unveiling new procedures today for the 2006 election season, which provide additional guidance to charities regarding political activities.

The IRS began this review following an increase in complaints about political activities during the 2004 election cycle. To ensure fairness and impartiality, the issues examined stretched across the political spectrum. Further, IRS career civil servants handled the cases without regard to political affiliation.

Nearly three-quarters of 82 examinations completed to date have concluded that the tax-exempt organizations, including churches, engaged in some level of prohibited political activity. Most of these exams concerned one-time, isolated occurrences of prohibited campaign activity, which the IRS addressed through written advisories to the organizations. In three cases – involving tax-exempt organizations that were not churches – the prohibited activity was egregious enough to warrant the IRS proposing the revocation of the organizations' tax-exempt status. The recent examinations resulted from specific referrals and covered only a small segment of the tax-exempt community, which includes more than 1 million tax-exempt 501 (c)(3) organizations in the U.S.

"The law does not allow charities to participate in political campaigns," said IRS Commissioner Mark W. Everson. "While the vast majority of charities, including churches, did not engage in politicking, our examinations substantiated a disturbing amount of political intervention in the 2004 electoral cycle. As the 2006 electoral season approaches, we are going to provide more and better guidance and move quickly to address prohibited activities."

Some of the specific instances of political intervention alleged and examined include the following:

- Charities, including churches, distributing diverse printed materials that encouraged their members to vote for a particular candidate (24 alleged; 9 determined),
- Religious leaders using the pulpit to endorse or oppose a particular candidate (19 alleged; 12 determined),
- Charities, including churches, endorsing or opposing a candidate on their website or through links to another website (15 alleged; 7 determined),

- Charities, including churches, disseminating voter guides or candidate ratings that encourage readers to vote for particular candidates (14 alleged; 4 determined),
- Charities, including churches, placing signs on their property that show they support a particular candidate (12 alleged; 9 determined),
- Charities, including churches, giving improper preferential treatment to certain candidates by permitting them to speak at functions (11 alleged; 9 determined), and
- Charities, including churches, making cash contributions to a candidate's political campaign (7 alleged; 5 determined).

The report outlines new procedures for the 2006 election period that will ensure that all referrals the IRS receives from the public, as well as activity the IRS itself uncovers, are reviewed expeditiously, and treated consistently and fairly.

These procedures reaffirm the agency's commitment that all examination and investigation decisions are made in a nonpartisan manner.

As a part of its approach to combating this activity, the IRS has also begun its educational and enforcement efforts to help ensure that charities have enough advance notice of the statutory rules against engaging in political activities. The IRS is releasing a new fact sheet that provides information to help 501(c)(3) organizations stay in compliance with the federal tax law.

The fact sheet provides detailed examples of the types of activities the IRS investigated during the 2004 election cycle. The examples and related commentary are intended to help tax-exempt organizations, including churches, better understand what activity constitutes prohibited political intervention.

Today's report covered the 2004 election cycle, beginning on July 30, 2004 and running through Nov. 30, 2004. In this initiative, the IRS contacted 110 tax-exempt organizations – many of them churches – and found some violation of the prohibition on political activity in 59 of the 82 cases closed-to-date. The cases covered the full spectrum of political viewpoints.

These findings, released today, form the basis of an enhanced IRS program to ensure that tax-exempt charities, including churches, know the legal prohibitions against engaging in political campaigns and the consequences of violating them. They also underlie new procedures that allow the IRS to move more swiftly to stop inappropriate political campaign intervention when it is discovered.